

IRS Fact Sheet

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.irs.gov/newsroom

Public Contact: 800.829.1040

Divide and Prosper: Refund Splitting Creates Asset Building Opportunities for Direct Deposit Filers

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Splitting a refund with the direct deposit option enables taxpayers to deposit their money where they want it in the first place.

Instead of having a refund electronically deposited into a checking account and later moving part of it to another account, a taxpayer can now allocate the refund among up to three different accounts at up to three different U.S. banks, mutual funds, brokerage firms or credit unions.

This split-refund option is available to taxpayers who choose direct deposit regardless of whether they file the original returns on paper or in electronic format using Form 1040, 1040A, 1040EZ, 1040-PR, 1040NR, 1040NR-EZ or 1040-SS. However, taxpayers filing Form 8379, Injured Spouse Allocation, cannot opt to split a refund.

To split a direct-deposit refund among two or three different accounts, a taxpayer should complete [Form 8888](#), Direct Deposit of Refund to More Than One Account. The direct deposit line on Form 1040 can still be used to have a refund deposited electronically into just one account.

Split refunds offer taxpayers the opportunity to build assets by depositing part of their refund to one account for immediate needs and another part to a savings or investment account for future needs.

Regardless of taxpayers' filing methods — electronic or paper — direct deposit provides faster access to funds than a paper check.

For e-filed tax returns, taxpayers who request direct deposit will receive their refunds within two weeks, while those who request paper checks will receive them within three weeks. For paper return filers, taxpayers who request direct deposit will receive their funds within four to six weeks, while those who request paper will receive them within six weeks.

Requirements for Direct Deposit

The IRS will electronically deposit refunds to taxpayers' accounts held by a U.S. financial institution, providing:

- An accurate account number and American Bankers Association (ABA) routing number is supplied; and
- The financial institution accepts direct deposits for the type of accounts designated.

Taxpayers generally cannot directly deposit their refunds into someone else's account. However, in the case of a joint refund, taxpayers can designate deposits to a joint account or to an account controlled by a spouse. For example, the IRS will deposit a joint refund into an individual retirement arrangement (IRA) owned by one spouse, if the financial institution accepts direct deposits for IRAs and will accept a joint refund to an account of only one spouse.

Direct deposit acceptance varies among financial institutions, so taxpayers should first verify their financial institutions will accept direct deposits for the types of accounts they designate. For example, a financial institution may accept direct deposits for regular savings accounts, but not for education savings accounts.

Examples of the savings accounts taxpayers can choose to direct their refunds to include, but are not limited to:

- Regular passbook savings or checking accounts;
- Brokerage accounts;
- IRAs;
- Health savings accounts (HSAs);
- Archer MSAs;
- Coverdell education savings accounts; and
- Individual development accounts (IDAs).

Accuracy of Account and Routing Numbers

Taxpayers should verify routing and account numbers with their financial institutions. Although a checking account routing number can usually be found on the face of a check, routing numbers for other types of accounts are not always apparent. IRS assumes no responsibility for taxpayer or preparer error. Taxpayers should ensure their account and routing information is accurately entered.

Errors could result in different scenarios. For example:

- If taxpayers omit a digit from the account or routing number of one account and the number does not pass IRS' validation check, the IRS will mail a check for the entire amount of their refund ;
- If taxpayers incorrectly enter an account or routing number and a designated financial institution rejects and returns the deposits to the IRS, the IRS will issue a check for that portion of the refund; or

- If taxpayers incorrectly enter an account or routing number belonging to others and the designated financial institutions accepts the deposits, taxpayers must work directly with the respective financial institution to recover the funds.

Direct Deposits to IRAs

Account owners are responsible for informing the IRA trustee of the year for which the directly deposit refund is intended and for ensuring the contributions do not exceed their annual contribution limitations. IRS direct deposit refunds will not indicate a contribution year for IRA accounts. If a taxpayer fails to notify the IRA trustees of the intended year for the deposit, the trustee can assume the deposit is for 2008.

The IRS is not responsible for the timeliness or contribution amounts related to an IRA direct deposit. Since errors on returns or refund offsets could change the amount of refunds available for deposit, taxpayers who want to apply their refunds to 2007 IRA contributions should confirm the amount of the deposit and the deposit date and make any necessary corrections to their 2007 contributions before the filing deadline.

If the deposit is not made by the due date of the return — without regard to extensions — the deposit is not a contribution for 2007. Taxpayers must file amended 2007 returns and reduce any IRA deductions and any retirement savings contributions credits they claimed.

Adjusting Deposits for Errors and Offsets

Several factors could change the amount of a refund. Math errors, one of the top mistakes on returns, can increase or decrease a refund and the amount available for deposit. Among other things, refund offsets for delinquent federal/state taxes, child support payments, student loan payments and freezes on the Earned Income Tax Credit (EITC) portion of a refund also can decrease the refund amount available for deposit.

Adjusting for a larger refund — if, for example, a taxpayer makes a mistake on a return that results in a larger-than-expected refund — the IRS will add the difference to the last account designated in cases where a split refund has been requested. For example, a taxpayer return shows a refund of \$300 and the taxpayer asks the IRS to split the refund among three accounts, depositing \$100 to each. However, because the taxpayer had incorrectly figured the refund, the correct refund is actually \$450. In this case, the first two accounts will receive deposits of \$100, while the third account will receive a deposit of \$250.

Adjusting for a smaller refund — If a math error or a delinquent tax adjustment reduces a refund, the IRS will first deduct the difference from the amount designated for deposit to the last account. If the difference exceeds the amount designated for the last account, IRS will deduct the remainder from the amount designated to the next account and so on. Taxpayers will receive correspondence from the IRS explaining any return adjustments, refund amounts and direct deposits.

The IRS recommends that taxpayers use electronic filing to avoid math errors and other common problems that can result in adjustments to their returns and change the expected amount of their refunds.

If the IRS withholds or freezes the EITC portion of taxpayers' refunds while awaiting additional information to verify taxpayer eligibility, the IRS will deposit any non-EITC refund according to the approach discussed above. If the IRS later determines the taxpayer is eligible to receive the EITC, the IRS will deposit the amount withheld into the first account designated.

If taxpayers owe delinquent state income taxes, outstanding child support payments or delinquent non-tax federal debts, such as student loans, the Department of Treasury's Financial Management Service (FMS), which disburses IRS refunds, may offset the refund by the delinquent amount. These offsets could occur whether taxpayers opt to receive their refunds via paper checks or direct deposits to one or several accounts.

FMS will deduct past-due amounts from the payment that appears first on IRS' payment file, which orders accounts from the lowest to the highest routing number. If the debt exceeds the payment designated for the account that appears first on the payment file, FMS will reduce the payment designated for the account that appears next, and so on.

Taxpayers will receive correspondence from FMS explaining any offset amounts, the entities receiving the payments, the address and telephone number of the entities and the amounts of their refund/direct deposit offsets. Taxpayers who dispute the debts should contact the debt-controlling agencies shown on the notice, not the IRS, since the IRS has no information about the validity of the debt.

Where's My Refund? *Ahora en español*

Whether taxpayers direct deposit their refunds into several accounts, into one account or opt to receive paper checks, they can use the popular [Where's My Refund?](#) feature to track their refunds. *Where's My Refund?* is also available by calling 1-800-829-1954. This year the IRS introduces a Spanish-language version of this popular service: *Donde esta mi reembolso?*

Where's My Refund? will include a message confirming the refund was split and the expected date of deposit. It will not specify the amount of the individual deposits or the accounts to which the deposits were made, but will state the amount of an adjustment, if IRS or FMS altered the refund amount due to math errors, offsets or other reasons.

Related Items:

- [Form 8888](#), Direct Deposit of Refund to More Than One Account
- [Where's My Refund?](#)